

Mr. David Culpepper, Senior Reimbursement Analyst  
Paragon Health Network, Inc.  
One Ravinia Drive, Suite 1500  
Atlanta, Georgia 30346

Re: AC# 3-FAI-C5 – GCI Faith Nursing Home, Inc. d/b/a Faith Healthcare Center

Dear Mr. Culpepper:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period September 30, 1994 through March 31, 1995. That report was used to set the rate covering the contract periods beginning April 1, 1995.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Edgar A. Vaughn, Jr., CPA  
State Auditor

EAVjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Mac Carroll

**GCI FAITH NURSING HOME, INC.  
d/b/a FAITH HEALTHCARE CENTER**

**FLORENCE, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING APRIL 1, 1995  
AC# 3-FAI-C5**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## **CONTENTS**

	<b><u>EXHIBIT OR SCHEDULE</u></b>	<b><u>PAGE</u></b>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING APRIL 1, 1995	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD APRIL 1, 1995 THROUGH SEPTEMBER 30, 1995	B-1	4
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 1995 THROUGH MARCH 31, 1996	B-2	5
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD APRIL 1, 1996 THROUGH SEPTEMBER 30, 1996	B-3	6
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED MARCH 31, 1995 FOR THE CONTRACT PERIOD APRIL 1, 1995 THROUGH SEPTEMBER 30, 1995	C-1	7
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED MARCH 31, 1995 FOR THE CONTRACT PERIODS OCTOBER 1, 1995 THROUGH SEPTEMBER 30, 1996	C-2	9
ADJUSTMENT REPORT	1	11
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIOD APRIL 1, 1995 THROUGH SEPTEMBER 30, 1995	2	16
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIODS OCTOBER 1, 1995 THROUGH SEPTEMBER 30, 1996	3	18

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 27, 1998

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GCI Faith Nursing Home, Inc. d/b/a Faith Healthcare Center, for the contract periods beginning April 1, 1995 and for the six month cost report period ended March 31, 1995, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GCI Faith Nursing Home, Inc. d/b/a Faith Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days, and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and GCI Faith Nursing Home, Inc. d/b/a Faith Healthcare Center dated as of September 30, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
February 27, 1998

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the South Carolina Department of Health and Human Services and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Edgar A. Vaughn, Jr., CPA  
State Auditor

**FAITH HEALTHCARE CENTER**  
Computation of Rate Change  
For the Contract Periods  
Beginning April 1, 1995  
AC# 3-FAI-C5

	<u>04/01/95-</u> <u>09/30/95</u>	<u>10/01/95-</u> <u>03/31/96</u>	<u>04/01/96-</u> <u>09/30/96</u>
Interim reimbursement rate (1)	\$66.80	\$69.14	\$69.14
Adjusted reimbursement rate	<u>63.45</u>	<u>64.69</u>	<u>64.69</u>
Decrease in reimbursement rate	\$ <u><u>3.35</u></u>	\$ <u><u>4.45</u></u>	\$ <u><u>4.45</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 1997

**FAITH HEALTHCARE CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period April 1, 1995 Through September 30, 1995  
AC# 3-FAI-C5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.61	\$31.11	\$37.30	\$31.11
Dietary	<u>.55</u>	<u>7.17</u>	<u>7.83</u>	<u>7.17</u>
Subtotal	<u>\$3.16</u>	38.28	45.13	38.28
Laundry/Housekeeping/Maint.	\$1.00	5.35	6.65	5.35
Administration & Med. Rec.	<u>-</u>	<u>7.13</u>	<u>7.05</u>	<u>7.05</u>
Subtotal	<u>\$1.00</u>	50.76	<u>\$58.83</u>	50.68
<u>Costs Not Subject to Standards:</u>				
Utilities		2.32		2.32
Special Services		-		-
Medical Supplies & Oxy.		.31		.31
Taxes and Insurance		.86		.86
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$54.25</u>		54.17
Inflation Factor (4.50%)				2.44
Cost of Capital				4.79
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.00
Cost Incentive - For Gen. Serv. & Dietary				3.16
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				(2.66)
OTC/Nonlegend Drug Reimbursement				.25
Laundry Add-On				<u>.30</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$63.45</u>

**FAITH HEALTHCARE CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 1995 Through March 31, 1996  
AC# 3-FAI-C5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.88	\$31.43	\$41.13	\$31.43
Dietary	<u>.60</u>	<u>7.25</u>	<u>8.53</u>	<u>7.25</u>
Subtotal	<u>\$3.48</u>	38.68	49.66	38.68
Laundry/Housekeeping/Maint.	\$1.08	5.40	7.17	5.40
Administration & Med. Rec.	<u>.66</u>	<u>7.20</u>	<u>7.86</u>	<u>7.20</u>
Subtotal	<u>\$1.74</u>	51.28	<u>\$64.69</u>	51.28
<u>Costs Not Subject to Standards:</u>				
Utilities		2.34		2.34
Special Services		-		-
Medical Supplies & Oxy.		.37		.37
Taxes and Insurance		.87		.87
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$54.86</u>		54.86
Inflation Factor (6.30%)				3.46
Cost of Capital				4.87
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.74
Cost Incentive - For Gen. Serv. & Dietary				3.48
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>(3.72)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$64.69</u>



**FAITH HEALTHCARE CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period April 1, 1996 Through September 30, 1996  
AC# 3-FAI-C5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
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Special Services		-		-
Medical Supplies & Oxy.		.37		.37
Taxes and Insurance		.87		.87
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$54.86</u>		54.86
Inflation Factor (6.30%)				3.46
Cost of Capital				4.87
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.74
Cost Incentive - For Gen. Serv. & Dietary				3.48
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>(3.72)</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$64.69</u>

**FAITH HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended March 31, 1995  
For the Contract Period April 1, 1995 Through September 30, 1995  
AC# 3-FAI-C5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$ 586,682	\$ 435 (8) 32 (8) 41,890 (12)	\$ 2,600 (6) 3,035 (7) 171 (7) 6,963 (9) 29,954 (13) 2,816 (16) 3,224 (17)	\$ 580,276
Dietary	133,507	1,555 (5) 80 (8) 23,535 (14)	362 (7) 24,554 (16)	133,761
Laundry	24,899	28 (8) 185 (12) 2,820 (14)	102 (7) 4,316 (16)	23,514
Housekeeping	55,172	20 (8) 1,210 (12) 1,221 (14)	9,475 (16)	48,148
Maintenance	33,677	26 (8) 48 (12) 799 (14)	34 (7) 5,442 (16) 1,035 (17)	28,039
Administration & Medical Records	149,227	80 (8) 6,963 (9) 8,249 (12) 11,058 (14)	3,330 (6) 70 (7) 66 (7) 2 (8) 8,904 (13) 8,335 (16) 2,974 (16) 18,927 (17)	132,969
Utilities	47,133	1,119 (14)	1,599 (2) 2,122 (3) 1,045 (16) 301 (17)	43,185
Special Services	-	-	-	-

**FAITH HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended March 31, 1995  
For the Contract Period April 1, 1995 Through September 30, 1995  
AC# 3-FAI-C5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Medical Supplies & Oxygen	32,554	743 (12)	1,555 (5) 7,953 (6) 17,207 (10) 786 (16)	5,796
Taxes & Insurance	17,975	2,765 (14)	882 (4) 2,068 (16) 1,702 (17)	16,088
Legal Fees	-	-	-	-
Cost of Capital	99,679	865 (1) 3,163 (14)	1,552 (16) 8,355 (17) 4,547 (18)	89,253
Subtotal	1,180,505	108,889	188,365	1,101,029
Ancillary	14,543	-	-	14,543
Non-Allowable	224,515	1,599 (2) 1,369 (3) 13,883 (6) 17,207 (10) 38,858 (13) 63,363 (16) 33,544 (17) 4,547 (18)	865 (1) 218 (8) 52,325 (12) 46,480 (14)	298,997
Total Operating Expenses	<u>\$1,419,563</u>	<u>\$283,259</u>	<u>\$288,253</u>	<u>\$1,414,569</u>
TOTAL PATIENT DAYS	<u>*18,651</u>	<u>-</u>	<u>-</u>	<u>18,651</u>

\*Adjusted to 98% occupancy

TOTAL BEDS 104

**FAITH HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended March 31, 1995  
For the Contract Periods October 1, 1995 Through September 30, 1996  
AC# 3-FAI-C5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Adjustments</u>		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 586,682	\$ 435 (8) 32 (8) 41,890 (12)	\$ 2,600 (6) 3,035 (7) 171 (7) 6,963 (9) 29,954 (13) 2,816 (16) 3,224 (17)	\$ 580,276
Dietary	133,509	1,555 (5) 80 (8) 23,533 (15)	362 (7) 24,554 (16)	133,761
Laundry	24,899	28 (8) 185 (12) 2,820 (15)	102 (7) 4,316 (16)	23,514
Housekeeping	55,172	20 (8) 1,210 (12) 1,221 (15)	9,475 (16)	48,148
Maintenance	33,677	26 (8) 48 (12) 799 (15)	34 (7) 5,442 (16) 1,035 (17)	28,039
Administration & Medical Records	149,279	80 (8) 6,963 (9) 8,249 (12) 11,006 (15)	3,330 (6) 70 (7) 66 (7) 2 (8) 8,904 (13) 8,335 (16) 2,974 (16) 18,927 (17)	132,969
Utilities	47,133	1,119 (15)	1,599 (2) 2,122 (3) 1,045 (16) 301 (17)	43,185
Special Services	-	-	-	-

# FAITH HEALTHCARE CENTER

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended March 31, 1995  
For the Contract Periods October 1, 1995 Through September 30, 1996  
AC# 3-FAI-C5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Medical Supplies & Oxygen	38,185	743 (12)	1,555 (5) 7,953 (6) 17,207 (10) 4,539 (11) 786 (16)	6,888
Taxes & Insurance	17,976	2,764 (15)	882 (4) 2,068 (16) 1,702 (17)	16,088
Legal Fees	-	-	-	-
Cost of Capital	100,369	865 (1) 3,163 (15)	1,552 (16) 8,355 (17) 4,555 (19)	89,935
Subtotal	1,186,881	108,834	192,912	1,102,803
Ancillary	8,912	-	-	8,912
Non-Allowable	223,770	1,599 (2) 1,369 (3) 13,883 (6) 17,207 (10) 4,539 (11) 38,858 (13) 63,363 (16) 33,544 (17) 4,555 (19)	865 (1) 218 (8) 52,325 (12) 46,425 (15)	302,854
Total Operating Expenses	<u>\$1,419,563</u>	<u>\$287,751</u>	<u>\$292,745</u>	<u>\$1,414,569</u>
TOTAL PATIENT DAYS	<u>*18,461</u>	<u>-</u>	<u>-</u>	<u>18,461</u>

\*Adjusted to 97% occupancy

TOTAL BEDS 104

**FAITH HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended March 31, 1995  
AC# 3-FAI-C5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 22,102	
	Cost of Capital	865	
	Accumulated Depreciation		\$ 14,740
	Other Equity		7,362
	Nonallowable		865
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	1,599	
	Utilities		1,599
	To adjust water expense to allowable HIM-15-1, Section 2304		
3	Accounts Payable	753	
	Nonallowable	1,369	
	Utilities		2,122
	To remove cost not related to patient care and properly charge expense applicable to subsequent period HIM-15-1, Sections 2102.3 and 2302.1		
4	Accrued Property Taxes	882	
	Taxes and Insurance		882
	To adjust property taxes and related accrual to allowable HIM-15-1, Sections 2302.1 and 2304		
5	Dietary	1,555	
	Medical Supplies		1,555
	To reclassify dietary supplements to the proper cost center DH&HS Expense Crosswalk		
6	Nonallowable	13,883	
	Restorative		2,600
	Medical Records		3,330
	Medical Supplies		7,953
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		

**FAITH HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended March 31, 1995  
AC# 3-FAI-C5

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Retained Earnings	3,840	
	Nursing		3,035
	Restorative		171
	Dietary		362
	Laundry		102
	Maintenance		34
	Administration		70
	Medical Records		66
	To properly charge salaries and related benefits applicable to the prior period HIM-15-1, Section 2302.1		
8	Nursing	435	
	Restorative	32	
	Dietary	80	
	Laundry	28	
	Housekeeping	20	
	Maintenance	26	
	Administration	80	
	Medical Records		2
	Nonallowable		218
	Accrued PTO		481
	To adjust PTO accrual to allowable HIM-15-1, Sections 2302.1 and 2304		
9	Medical Records	6,963	
	Restorative		6,963
	To reclassify medical records salaries and related benefits to the proper cost center HIM-15-1, Section 2304		
10	Nonallowable	17,207	
	Medical Supplies		17,207
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

**FAITH HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended March 31, 1995  
AC# 3-FAI-C5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Nonallowable Medical Supplies	4,539	4,539
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
	(This adjustment applies only to the contract periods 10/1/95-9/30/96)		
12	Nursing	41,890	
	Laundry	185	
	Housekeeping	1,210	
	Maintenance	48	
	Administration	8,249	
	Medical Supplies	743	
	Nonallowable		52,325
	To reverse provider allocation of costs applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3		
13	Nonallowable	38,858	
	Nursing		29,954
	Administration		8,904
	To remove nursing and administrative costs applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3		
14	Dietary	23,535	
	Laundry	2,820	
	Housekeeping	1,221	
	Maintenance	799	
	Administration	11,058	
	Utilities	1,119	
	Taxes and Insurance	2,765	
	Cost of Capital	3,163	
	Nonallowable		46,480
	To reverse DH&HS adjustment to remove indirect costs applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
	(This adjustment applies only to the contract periods 4/1/95-9/30/95)		



**FAITH HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended March 31, 1995  
AC# 3-FAI-C5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
15	Dietary	23,533	
	Laundry	2,820	
	Housekeeping	1,221	
	Maintenance	799	
	Administration	11,006	
	Utilities	1,119	
	Taxes and Insurance	2,764	
	Cost of Capital	3,163	
	Nonallowable		46,425
	To reverse DH&HS adjustment to remove indirect costs applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
	(This adjustment applies only to the contract periods 10/1/95-9/30/96)		
16	Nonallowable	63,363	
	Restorative		2,816
	Dietary		24,554
	Laundry		4,316
	Housekeeping		9,475
	Maintenance		5,442
	Administration		8,335
	Medical Records		2,974
	Utilities		1,045
	Taxes and Insurance		2,068
	Medical Supplies		786
	Cost of Capital		1,552
	To remove indirect costs applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
17	Nonallowable	33,544	
	Nursing		3,224
	Maintenance		1,035
	Administration		18,927
	Utilities		301
	Taxes and Insurance		1,702
	Cost of Capital		8,355
	To adjust home office cost allocation to allowable HIM-15-1, Section 2304		

**FAITH HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended March 31, 1995  
AC# 3-FAI-C5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
18	Nonallowable Cost of Capital	4,547	4,547
	To adjust cost of capital to allowable State Plan, Attachment 4.19D		
	(This adjustment applies only to the contract period 4/1/95-9/30/95)		
19	Nonallowable Cost of Capital	4,555	4,555
	To adjust cost of capital to allowable State Plan, Attachment 4.19D		
	(This adjustment applies only to the contract periods 10/1/95-9/30/96)		
	TOTAL ADJUSTMENTS	<u>\$366,355</u>	<u>\$366,355</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**FAITH HEALTHCARE CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended March 31, 1995  
 For the Contract Period April 1, 1995 Through September 30, 1995  
 AC# 3-FAI-C5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.8981</u>
Deemed Asset Value (Per Bed)	29,644
Number of Beds	<u>104</u>
Deemed Asset Value	3,082,976
Improvements Since 1981	95,209
Accumulated Depreciation at 3/31/95	<u>(610,367)</u>
Deemed Depreciated Value	2,567,818
Market Rate of Return	<u>0.075</u>
Total Annual Return	192,586
Number of Days in Period	<u>183/365</u>
Adjusted Annual Return	96,557
Return Applicable to Non-Reimbursable Cost Centers	(15,451)
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	81,106
Depreciation Expense	9,699
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,552)</u>
Allowable Cost of Capital Expense	89,253
Total Patient Days (Minimum 98% Occupancy)	<u>18,651</u>
Cost of Capital Per Diem	\$ <u><u>4.79</u></u>

**FAITH HEALTHCARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended March 31, 1995  
For the Contract Period April 1, 1995 Through September 30, 1995  
AC# 3-FAI-C5

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$1.34
Adjustment for Maximum Increase	<u>3.83</u>
Maximum Cost of Capital Per Diem	\$ <u>5.17</u>
Reimbursable Cost of Capital Per Diem	\$4.79
Cost of Capital Per Diem	<u>4.79</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

**FAITH HEALTHCARE CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended March 31, 1995  
 For the Contract Periods October 1, 1995 Through September 30, 1996  
 AC# 3-FAI-C5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.9778</u>
Deemed Asset Value (Per Bed)	30,889
Number of Beds	<u>104</u>
Deemed Asset Value	3,212,456
Improvements Since 1981	95,209
Accumulated Depreciation at 3/31/95	<u>(610,367)</u>
Deemed Depreciated Value	2,697,298
Market Rate of Return	<u>0.072</u>
Total Annual Return	194,205
Number of Days in Period	<u>183/365</u>
Adjusted Annual Return	97,369
Return Applicable to Non-Reimbursable Cost Centers	(15,581)
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	81,788
Depreciation Expense	9,699
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,552)</u>
Allowable Cost of Capital Expense	89,935
Total Patient Days (Minimum 97% Occupancy)	<u>18,461</u>
Cost of Capital Per Diem	\$ <u><u>4.87</u></u>

**FAITH HEALTHCARE CENTER**

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended March 31, 1995

For the Contract Periods October 1, 1995 Through September 30, 1996

AC# 3-FAI-C5

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$1.34
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$5.33</u>
Reimbursable Cost of Capital Per Diem	\$4.87
Cost of Capital Per Diem	<u>4.87</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>